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1. THE UPRISING BY THE SECOND ARMORED BATTALION OF THE CHILEAN ARMY ON 29 JUNE 1973 WAS AN ALMOST FUTILE GESTURE OF FRUSTRATION ON THE PART OF ACTION-ORIENTED MILITARY OFFICERS WHICH, WITHOUT THE SUPPORT OF OTHER ELEMENTS OF THE ARMED FORCES, WAS DOOMED TO FAILURE. THE UPRISING WAS A HIGHLY SIGNIFICANT EVENT WHICH HAS HAD A MAJOR IMPACT ON POLITICO-MILITARY DEVELOPMENTS IN CHILE. IN EFFECT IT BROUGHT TO THE FOREFRONT AND CRYSTALLIZED THE AGGREGATE OF PROBLEMS WHICH

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HAD BEEN IN EXISTENCE PRIOR TO THAT DATE.

2. PRIOR TO MAY 1973, THE COMMUNIST PARTY OF CHILE (PCCH) BELIEVED THAT TIME WAS ON THE SIDE OF THE GOVERNMENT FORCES AND THAT LONG-RANGE STRATEGY DICTATED THE NEED FOR GRADUAL AND CONTINUAL CONSOLIDATION OF POLITICAL POWER. FOR THIS REASON, THE PCCH, WITHIN THE U.P. COALITION, TOOK THE LEAD IN STRIVING FOR A RELATIVELY MODERATE COURSE OF ACTION; IT WAS WILLING TO COMPROMISE, WHEN NECESSARY, REVOLUTIONARY OBJECTIVES WITH PRACTICAL POLITICAL EXPEDIENCY AND THEREBY ACTED AS A RESTRAINING FORCE WITHIN THE GOVERNMENT ON THE MORE EXTREMIST-ORIENTED U.P.

SECTORS. IN LATE MAY, HOWEVER, THE PCCH CENTRAL COMMITTEE DECIDED TO PROTEST AGAINST THE EXTREME WEAKNESS BEING SHOWN BY THE GOVERNMENT IN DEALING WITH THE OPPOSITION AND THE EXTREME RIGHT. THE DEVELOPMENTS WHICH CONCERNED THE PCCH MOST AT THAT TIME WERE: A) THE OPEN REBELLION OF THE EL TENIENTE COPPER WORKERS; B) THE POLICE PROTECTION WHICH WAS PROVIDED FOR A CONGRESS OF THE PATRIA Y LIBERTAD (P&L, EXTREME RIGHT-WING, MILITANTLY ANTI-GOVERNMENT ORGANIZATION) IN TEMUCO; C) THE DECISION BY THE GOVERNMENT TO ALLOW THE CHRISTIAN DEMOCRATIC PARTY (PDC) TO MARCH TO RANCAGUA IN SUPPORT OF THE STRIKING MINERS; D) THE

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LACK OF FIRM GOVERNMENT ACTION DEALING WITH THE STRIKING BAKERS, WHO WERE DEFYING GOVERNMENT INJUNCTIONS AGAINST THE STRIKE; AND E) THE BELIEF BY THE PARTY THAT PCCH MINISTERS WERE BEING IGNORED WITHIN THE GOVERNMENT.

3. THE PCCH PROTEST WAS MADE JOINTLY WITH THE SOCIALIST PARTY (PS) IN THE FORM OF A DEMAND THAT PRESIDENT SALVADOR A L L E N D E TAKE A FIRM STAND AGAINST THE POLITICAL OPPOSITION AND AGAINST THE TERRORISM OF THE EXTREME RIGHT OR FACE PUBLIC CRITICISM BY THE PCCH OF MEMBERS OF THE ADMINISTRATION, WHO THE PCCH FELT DESERVED SUCH CRITICISM. ON 11 JUNE THE PCCH CENTRAL COMMITTEE DECIDED THAT THE POLITICAL SITUATION HAD REACHED A CRITICAL STAGE, IN THAT THE OPPOSITION HAD DEMONSTRATED ITS INTENTION TO BRING DOWN THE GOVERNMENT WHILE THE U.P., UP TO THAT POINT, HAD BEEN WASTING ITS TIME IN AN ATTEMPT TO MAINTAIN A DIALOGUE WITH CERTAIN ELEMENTS OF THE OPPOSITION. THEREFORE, THE PCCH DECIDED TO MOVE THE OFFENSIVE AND TO SHIFT TO MORE EXTREME TACTICS, INCLUDING PREPARATIONS FOR VIOLENT ACTION. THE 29 JUNE UPRISING SERVED TO CONVINCE THE PCCH LEADERSHIP THAT VIOLENT CONFRONTATION COULD NOT BE AVOIDED AND THAT THEIR EARLIER DECISION TO PLACE THE PARTY ON A "WAR FOOTING" HAD BEEN CORRECT. HOWEVER, THE PCCH LEADERSHIP WAS REPORTEDLY NOT COMPLETELY PLEASED BY THE RESPONSE

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OF THE WORKERS TO THE INITIAL CALL TO CONFRONT THE UPRISING. DESPITE THE FACT THAT DEVELOPMENTS DID NOT PROVIDE AN ADEQUATE TEST TO DETERMINE WHETHER THE WORKERS WOULD HAVE BEEN WILLING TO TAKE TO THE STREETS TO CONFRONT THE MILITARY. ACCORDINGLY, THE COMMUNISTS AFTER 29 JUNE BEGAN TO ACCELERATE THEIR PROGRAM OF INCREASING THE PARTY'S PARAMILITARY CAPABILITY BY DISTRIBUTING WEAPONS TO THEIR MEMBERSHIP. THIS ACTION HAS BEEN EMULATED BY THE PS AND THE UNITARY POPULAR ACTION MOVEMENT (MAPU). THE QUANTITY AND TYPES OF WEAPONS BEING ISSUED TO U.P. SUPPORTERS ARE NOT KNOWN.

4. AT THIS TIME THE PCCH HAS ADOPTED A POLITICAL LINE SIMILAR TO THAT WHICH HAS LONG BEEN ADVOCATED BY THE MORE MILITANT PS AND THE EXTREMIST MOVEMENT OF THE REVOLUTIONARY LEFT (MIR). THE MAJOR FORCES OF THE U.P. GOVERNMENT ARE, THUS, NOW UNIFIED IN A BELLIGERENT AND MORE RADICAL POSTURE. NOTWITHSTANDING THIS, THE PCCH HAS CONCLUDED THAT IT NEEDS MORE TIME TO PREPARE ITS ARMED CADRES. FOR THIS REASON, IT IS MAINTAINING A PUBLIC POSTURE IN FAVOR OF A DIALOGUE WITH THE PDC, WHILE THE COMMUNISTS AND OTHER U.P. PARTIES MAY WELL OFFER SOME CONCESSIONS TO GET A DIALOGUE INITIATED AND TO ACHIEVE AT LEAST A TEMPORARY

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REDUCTION OF TENSIONS, THEY HAVE DEMONSTRATED THEIR UNWILLINGNESS TO RETURN THE BULK OF FACTORIES AND INDUSTRIES SEIZED IN THE AFTERMATH OF THE 29 JUNE UPRISING AND HAVE OTHERWISE INDICATED THAT ANY CONCESSION WILL BE MINIMAL.

5. THE 29 JUNE UPRISING HAS ALSO HAD AN IMPACT ON PRESIDENT ALLENDE AND HAS ADVERSELY AFFECTED HIS INFLUENCE WITHIN HIS OWN COALITION; HOWEVER, IT IS BELIEVED THAT 29 JUNE SERVED MORE TO CRYSTALLIZE A TREND WHICH HAD ALREADY BEGUN TO RESTRICT THE INDEPENDENCE OF THE PRESIDENT. PRIOR TO 29 JUNE, THE PCCH HAD BEGUN TO CRITICIZE THE PRESIDENT FOR BEING WEAK AND VACILLATING. SUBSEQUENT TO THAT DATE, [REDACTED]

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[REDACTED] THE PARTY POSITION IN THIS REGARD HAS HARDENED AND THAT THE PCCH CONSIDERS ALLENDE TO BE MERELY THE EXECUTIVE INSTRUMENT THROUGH WHICH THE U.P. PARTIES NOW INTEND TO GOVERN. THUS, ALLENDE, THE CONSUMMATE POLITICIAN WHO HAS DEFUSED PREVIOUS CRISES THROUGH POLITICAL MANEUVERS AND COMPROMISE--AN ART IN WHICH HE EXCELS--MAY NOW FIND THIS ABILITY TO REPEAT PAST SUCCESSES TO BE MUCH MORE LIMITED. THE PRESIDENT, HOWEVER, DOES NOT APPEAR TO BE SUITED, EITHER PROFESSIONALLY OR PSYCHOLOGICALLY, TO THE ROLE OF A MERE FIGUREHEAD WITHIN HIS

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GOVERNMENT, AND HE CAN BE EXPECTED TO TRY TO REGAIN HIS LEADERSHIP POSITION. THEREFORE, WHILE IT IS PROBABLY TRUE THAT ALLENDE HAS EMERGED FROM THE 29 JUNE UPRISING IN A WEAKER POSITION, IT IS ALSO PROBABLY TRUE THAT THIS COULD WELL BE A TEMPORARY PHENOMENON. IN THE FINAL ANALYSIS, THE U.P. GOVERNMENT COULD NOT EXIST WITHOUT ALLENDE, AND HIS VIEWS AND DESIRES MUST BE TAKEN INTO ACCOUNT BY U.P. LEADERS. THE PRESIDENT HAS TWO POTENT WEAPONS AT HIS DISPOSAL IN ANY SHOWDOWN WITH THE GOVERNMENT PARTIES; I.E., HE CAN THREATEN TO CALL UPON THE MILITARY AND THE PDC TO FORM A NEW CABINET AND GOVERN WITHOUT THE PARTICIPATION OF THE U.P. PARTIES. OR HE CAN SERIOUSLY THREATEN TO RESIGN AS A MEANS OF FORCING THE GOVERNMENT PARTIES INTO SUPPORTING HIS POLICIES. EITHER OF THESE TWO THREATS WOULD BE EXTREME MEASURES AND WOULD PROBABLY ONLY BE FULFILLED IF THE PRESIDENT BECAME CONVINCED THE U.P. PARTIES WERE LEADING HIS GOVERNMENT INTO AN IRREVOCABLE CRISIS AND DESTRUCTION.

6. IF ALLENDE IS ABLE TO REESTABLISH FIRM CONTROL OVER HIS COALITION, OR IF HE IS ABLE TO CONVINCE U.P. LEADERS OF THE NEED TO COMPROMISE IN ORDER TO REDUCE POLITICAL TENSIONS AND FORESTALL

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A POSSIBLE CONFRONTATION, THE ATTITUDE AND POSITION OF THE PDC, THE MAJOR OPPOSITION POLITICAL PARTY, WILL BE THE KEY TO ANY SUCCESSFUL CONCLUSION. THE PDC BY NATURE AND TRADITION FAVORS COMPROMISE OVER CONFRONTATION AND A POSSIBLE INTERRUPTION OF THE DEMOCRATIC PROCESS. THIS IS DESPITE THE FACT THAT MORE AND MORE OF ITS MEMBERSHIP HAVE BECOME INCREASINGLY PESSIMISTIC OVER THE CHANCES OF A POLITICAL SOLUTION TO THE PROBLEMS FACING CHILE AND FRANKLY FAVOR THE DOWNFALL OF THE GOVERNMENT, ALTHOUGH NOT NECESSARILY ITS OVERTHROW. THERE IS A SMALL BUT HIGHLY VOCAL AND HIGHLY VISIBLE SECTOR OF THE PDC LEADERSHIP WHICH DESIRES TO INITIATE A DIALOGUE WITH THE GOVERNMENT. HOWEVER, THE MAJORITY OF PDC LEADERS, AND PROBABLY THE PARTY AS A WHOLE, IS DISPOSED TO NEGOTIATE WITH THE GOVERNMENT ONLY IF IT CAN BE ASSURED THAT SOME PROGRESS CAN BE MADE ON OUTSTANDING ISSUES; TO WIT, THE RETURN OF THE FACTORIES AND INDUSTRIES SEIZED FOLLOWING THE 29 JUNE UPRISING, THE DISARMING OF THE WORKERS, AND THE PROMULGATION OF THE THREE AREAS CONSTITUTIONAL REFORM BILL. DEPENDING ON EVENTS, THE U.P. PARTIES MAY BE WILLING TO MAKE SOME COMPROMISE CONCERNING THE RETURN OF SOME OF THE SEIZED ECONOMIC UNITS, ESPECIALLY THOSE

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WITH SIGNIFICANT WEST EUROPEAN INVESTMENTS. THERE IS ALSO A POSSIBILITY THAT SOME AGREEMENT CAN BE WORKED OUT REGARDING THE WEAPONS WHICH HAVE BEEN ISSUED TO THE WORKERS IN THE FACTORIES, ALTHOUGH IT IS BELIEVED THAT THE U.P. PARTIES WILL CONTINUE THEIR PROGRAM OF ARMING AND TRAINING THEIR SELF-DEFENSE UNITS IRRESPECTIVE OF ANY AGREEMENT ON THIS MATTER. THE THIRD PDC CONDITION, THE PROMULGATION OF THE THREE AREAS BILL, AFFECTS BASIC GOVERNMENT POLICY, AND IT IS NOT BELIEVED THAT THE PROMULGATION OF THIS BILL COULD BE ACCEPTED BY THE U.P. PARTIES.

7. WHILE PDC POLICY HAS NOT YET BEEN AGREED UPON,

[REDACTED] THAT THE PDC LEADERSHIP IS CONSIDERING THE IMPEACHMENT OF THE ENTIRE CABINET IF THE U.P. REFUSES TO NEGOTIATE SERIOUSLY. THIS PDC ACTION WOULD BE DESIGNED TO BRING PRESSURE ON THE PRESIDENT AND OPEN THE WAY FOR MILITARY PARTICIPATION IN THE CABINET WITH SUFFICIENT POWER TO MODERATE U.P. POLICIES. THE PDC JUSTIFICATION FOR THIS ACTION WOULD BE THAT THE GOVERNMENT HAS VIOLATED THE CONSTITUTION BY BREAKING THE

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ARMS CONTROL LAW, BY ESTABLISHING ARMED GROUPS IN THE COUNTRY, BY NOT PROMULGATING THE THREE AREAS BILL, AND BY ILLEGALLY

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SEIZING SMALL INDUSTRIES. THE OTHER OPPOSITION PARTIES, WHICH ARE MORE ADAMANTLY OPPOSED TO THE U.P. THAN IS THE PDC, CAN BE EXPECTED TO SUPPORT THE PDC INITIATIVE DESCRIBED ABOVE AND ARE ALSO PROMOTING AN EFFORT TO DECLARE THE PRESIDENT INCOMPETENT UNDER ARTICLE 43 OF THE CONSTITUTION.

8. WHILE PERHAPS NOT CRITICAL, THE SITUATION WITHIN THE ARMED FORCES REMAINS VERY SERIOUS AT THE PRESENT TIME. ALTHOUGH THERE WERE OFFICERS IN ALL THREE OF THE CHILEAN MILITARY SERVICES ACTIVELY INVOLVED IN PLOTTING PRIOR TO THE 29 JUNE UPRISING, THE ACT ITSELF BROUGHT A RADICAL CHANGE IN ATTITUDE AT THE FLAG LEVEL OF THE ARMED FORCES. THE UPRISING POINTED UP TO THE HIGH COMMAND THE PRESSURES AT THE LOWER LEVELS OF THE SERVICES FOR THE USE OF MILITARY POWER TO FORCE CHANGES IN GOVERNMENT POLICIES. TO REGAIN CONTROL OVER SUBORDINATES AND TO TRY TO PREVENT ANOTHER UNCOORDINATED INCIDENT, THE FLAG-LEVEL OFFICERS HAVE BEEN FORCED TO TAKE A MORE ACTIVE ROLE IN MAKING PLANS TO EITHER INFLUENCE OR OVERTHROW ALLENDE. AS A RESULT, IT IS BELIEVED THAT THE AIR FORCE GENERAL STAFF WITH THE KNOWLEDGE OF ITS COMMANDER-IN-CHIEF, GENERAL CESAR

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R U I Z, IS PREPARED AND WILLING TO SUPPORT AN ARMY-LED COUP. THE NAVY ADMIRALS, ALSO WITH THE TACIT KNOWLEDGE, BUT WITHOUT THE SUPPORT OF THEIR COMMANDER-IN-CHIEF, ADMIRAL RAUL M O N T E R O, ALSO SEEM READY TO MOVE AGAINST THE GOVERNMENT. BOTH OF THESE SERVICES CONTINUE TO AFFIRM, HOWEVER, THAT THEY CANNOT AND WILL NOT MOVE UNTIL THE ARMY IS READY TO PARTICIPATE IN FORCE. WITHIN THE ARMY, SOME GENERAL OFFICERS ARE ACTIVELY INVOLVED IN TRYING TO PLAN AND ORGANIZE A COUP, AND THEY ARE COORDINATING THEIR ACTIVITIES WITH THE AIR FORCE AND NAVY. HOWEVER, BECAUSE OF THE STRONG VERTICAL COMMAND STRUCTURE OF THE ARMY INSTITUTION, THE PLOTTERS KNOW THAT AS LONG AS THE ARMY COMMANDER-IN-CHIEF, GENERAL CARLOS P R A T S, THE COMMANDER OF THE SANTIAGO GARRISON, GENERAL MARIO S E P U L V E D A, AND THE COMMANDER OF THE ARMY TRAINING INSTITUTES, GENERAL CARLOS P I C K E R I N G, DO NOT SUPPORT THEIR PLANS, A COUP MOVE MIGHT NOT SUCCEED. THE PROBLEM FACING THE ARMY PLOTTERS IS HOW TO CIRCUMVENT THESE THREE GENERALS. UNTIL THEY SOLVE THIS PROBLEM, IT IS DOUBTFUL WHETHER THE ARMY AS A UNIFIED WHOLE WILL BE READY TO CARRY OUT A COUP. THE PLOTTING OFFICERS ARE NOW CONSIDERING THE MEANS TO OVERCOME THIS PROBLEM, AND

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A MAJORITY OF THE ARMY

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GENERALS MIGHT REQUEST THE RETIREMENT OF GENERAL PRATS. THE CHANCES OF THIS MANEUVER SUCCEEDING MUST BE CONSIDERED DOUBTFUL, SINCE PRATS SHOWS LITTLE INCLINATION TO BE FORCED OUT. THE ONLY OTHER WAY TO REMOVE PRATS, SEPULVEDA AND PICKERING WOULD APPEAR TO BE BY ABDUCTION OR ASSASSINATION. WITH THE MEMORY OF THE AFFAIR OF THE FORMER ARMY COMMANDER, RENE SCHNEIDER, EVER PRESENT IN THEIR MINDS, IT WILL BE DIFFICULT FOR THE PLOTTERS TO BRING THEMSELVES TO CARRY OUT SUCH AN ACT. ALTHOUGH THE PLOTTING OFFICERS ARE CONFIDENT THAT A MILITARY MOVE AGAINST THE GOVERNMENT WILL BE FORTHCOMING, THEY CANNOT SET A DATE UNTIL THE ARMY PLOTTERS RESOLVE THEIR PROBLEM.

9. IN THE INTERIM, THE FLAG-LEVEL OFFICERS OF THE THREE SERVICES HAVE FORMED A COMMITTEE OF 15, COMPOSED OF FIVE GENERALS EACH FROM THE ARMY AND AIR FORCE AND FIVE ADMIRALS, TO CREATE A FORUM CAPABLE OF UNIFYING ATTITUDES AS WELL AS FORMULATING JOINT STATEMENTS FOR PRESENTATION TO THE COMMANDERS-IN-CHIEF AND THROUGH THEM TO ALLENDE. THEY HOPE THAT THROUGH THIS MECHANISM THE PRESSURES FROM BELOW CAN BE EASED

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SUFFICIENTLY TO AVOID ISOLATED INCIDENTS SUCH AS THAT OF 29 JUNE, OR AN UNCOORDINATED AND POORLY PLANNED COUP ATTEMPT.

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THAT THE COMMITTEE OF 15 WAS ABLE TO FORCE THE COMMANDERS-IN-CHIEF TO APPROVE THE FORMULATION ON AN URGENT BASIS OF A PLAN TO COUNTER INTERNAL INSURGENCY. THIS PLAN COULD BE A VITAL PART OF ANY FUTURE COUP ATTEMPT.

10. WHETHER OR NOT THE MILITARY WOULD BE WILLING TO AGAIN PARTICIPATE IN THE GOVERNMENT, IF CALLED UPON BY ALLENDE TO DO SO, WOULD DEPEND UPON THE CONDITIONS WHICH THEY WOULD PLACE ON THE PRESIDENT IN EXCHANGE FOR SUCH PARTICIPATION. IF, FOR EXAMPLE, THE PRESIDENT ACQUIESCED TO THEIR PREVIOUS DEMANDS AND THEY ENTERED THE GOVERNMENT WITH REAL POWER AND WITH THE CAPABILITY OF ELIMINATING ILLEGAL GOVERNMENT ACTS AND BLUNTING THE MARXIST THRUST OF THE EXECUTIVE, THERE WOULD BE SUBSTANTIAL PRESSURE ON THE ARMED FORCES TO ACCEPT, ESPECIALLY IF SUCH A MOVE WERE TO BE FAVORED BY THE PDC. IN THIS MANNER, MILITARY LEADERS, INCLUDING THE PLOTTERS, MIGHT FEEL THAT DEVELOPING VIOLENCE AND CIVIL CONFRONTATION COULD BE AVOIDED AND THE POSSIBILITY OF A POLITICAL SOLUTION MAINTAINED. THERE IS, HOWEVER, SUBSTANTIAL DISTRUST OF THE U.P. WITHIN THE MILITARY,

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AND IT IS NOT BELIEVED THAT THE ARMED FORCES WOULD BE WILLING TO REENTER THE GOVERNMENT WITHOUT DEFINITE PRECONDITIONS AND STRONG GUARANTEES.

11. THE ATTITUDE AND POSSIBLE SUPPORT OF THE CARABINEROS (NATIONAL UNIFORMED POLICE) IN RELATION TO A COUP REMAIN AN ENIGMA TO THE PLOTTERS, THUS FAR, THE POLICE HAVE APPEARED TO BE THE MOST LOYAL TO THE GOVERNMENT OF ALL THE UNIFORMED SERVICES. HOWEVER, [REDACTED] IN THE EVENT OF A COUP THE CARABINEROS WOULD NOT CONFRONT THE MILITARY SERVICES. 1.5 (C)

12. THE ACTIVITIES OF THE CHILEAN GUILDS HAVE A BEARING ON HOW THE POLITICAL AND MILITARY SITUATION DEVELOPS OVER THE SHORT TERM. BECAUSE OF INCREASINGLY STRONG MEASURES TAKEN BY THE U.P. TO ESTABLISH STATE CONTROLS OVER BUSINESS AND THE PROFESSIONS, THE GUILDS FIND THEMSELVES IN A DESPERATE SITUATION, TO THE POINT THAT THEY FEEL THEIR VERY EXISTENCE IS THREATENED. RECENT INFORMATION INDICATES THAT THE PRIVATE TRUCK OWNERS CONFEDERATION (SIDUCAM) IS PLANNING TO CALL A NATIONAL STRIKE SOMETIME IN THE NEAR FUTURE. PRIVATE BUSOWNERS, TAXI OPERATORS, BANK WORKERS, STUDENTS AND TECHNICAL/PROFESSIONAL GUILDS HAVE PLEDGED TO JOIN

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THE STRIKERS. THEIR STRIKE IS DESIGNED TO PROVOKE MASSIVE MILITARY INTERVENTION IN THE GOVERNMENT OR A COUP. GUILD LEADERS REALIZE THAT THE GOVERNMENT WILL TAKE STRONG COUNTERMEASURES AGAINST THE PLANNED STRIKES, AND THAT IF THE MILITARY DOES NOT MOVE DURING THE PEAK STAGES OF THE STRIKE ACTION, THE MOMENTUM COULD NOT BE MAINTAINED FOR MORE THAN A SHORT PERIOD AND THE STRIKES WOULD BE BROKEN. IF THIS OCCURS, THE GUILD LEADERS ARE OF THE OPINION THAT THE ABILITY OF MOST OF THE GUILDS TO FUNCTION AS PRIVATE ENTERPRISE ENTITIES WILL HAVE BEEN DEALT A FATAL BLOW. FOR THIS REASON, PLANNING FOR THE STRIKES INCLUDES IN SOME CASES EXTREME MEASURES, INCLUDING USE OF VIOLENCE, TO MAKE THE IMPACT AS GREAT AS POSSIBLE. GUILD LEADERS HAVE INFORMED MILITARY AND OPPOSITION POLITICAL LEADERS OF THEIR INTENTIONS, BUT APPARENTLY THEY HAVE RECEIVED NO COMMITMENT THAT THE MILITARY WOULD REACT TO THE STRIKES IN THE MANNER DESIRED.

13. THE ACTIONS BY CHILEAN EXTREMIST GROUPS OF BOTH THE RIGHT AND THE LEFT COULD ALSO HAVE AN IMPACT ON DEVELOPMENTS IN CHILE OVER THE SHORT TERM. P&L WAS INVOLVED WITH SOME OF THE OFFICERS WHO CARRIED OUT THE 29 JUNE UPRISING AND, AS A

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RESULT, ITS TOP LEADERSHIP HAS GONE INTO EXILE. NEVERTHELESS, THE SECRETARY GENERAL OF THE MOVEMENT, ROBERTO T H I E H E, WHO WAS IN ARGENTINA DURING THE UPRISING, HAS NOW RETURNED CLANDESTINELY TO CHILE AND VOWED TO INITIATE A TERROR AND URBAN GUERRILLA WARFARE CAMPAIGN AIMED AT OVERTHROWING THE GOVERNMENT. P&L HAS ALREADY CARRIED OUT SOME TERRORIST BOMBING AND MAY BE CONSIDERING KIDNAPPING AND ASSASSINATIONS. HOWEVER, IT IS NOT BELIEVED THAT P&L IN AND BY ITSELF HAS THE CAPABILITY FOR MORE THAN ISOLATED INCIDENTS OF THIS NATURE, WHICH NEVERTHELESS COULD CONSIDERABLY INCREASE THE PRESENT CLIMATE OF TENSION IN THE COUNTRY.

14. CURRENT DEVELOPMENTS IN CHILE TEND TO BEAR OUT THE POLITICAL LINE THE CHILEAN MIR HAS ALWAYS ADOPTED; I.E., THAT CONFRONTATION IS INEVITABLE AND THAT THE U.P. MUST PREPARE FOR SUCH A DEVELOPMENT. HOWEVER, THE PCCH DOES NOT INTEND TO ALLOW THE MIR TO ASSUME ANY DOMINANT VOICE IN U.P. POLICY, DESPITE THE CURRENT CLOSENESS OF THEIR TWO POLITICAL LINES. THEIR RIVALRY IS LIKELY TO CONTINUE. ALSO, THE MIR, THE PS EXTREME LEFTIST WING AND OTHER CHILEAN EXTREMIST GROUPS CAN BE EXPECTED TO REACT ADVERSELY AND PERHAPS VIOLENTLY TO

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ANY MOVE TOWARD A COMPROMISE BETWEEN THE GOVERNMENT AND THE OPPOSITION FORCES. SINCE THE OCTOBER 1972 NATIONAL STRIKE PERIOD, THE MIR HAS DEVELOPED A COHERENT POLITICAL LINE WHICH HAS EVIDENTLY APPEALED TO INCREASING NUMBERS OF CHILEAN WORKERS AND EMPLOYEES. WHILE IT STILL MAY NOT HAVE THE CAPABILITY TO AFFECT DEVELOPMENTS IN CHILE IN A DECISIVE WAY, IT DOES HAVE THE CAPABILITY TO CARRY OUT ACTS OF VIOLENCE AND ORGANIZED AGITATION WHICH CAN ADD SIGNIFICANTLY TO THE CURRENT TENSIONS.

15. WITH REGARD TO THE ECONOMY, AND CONTRARY TO OPTIMISTIC STATEMENTS BY GOVERNMENT SPOKESMEN, THE GOVERNMENT ONLY MANAGED TO KEEP THE ECONOMY AFLOAT BY MEANS OF SHORT-TERM CREDITS AND OTHER FOREIGN ECONOMIC ASSISTANCE, AMOUNTING TO MORE THAN U.S. \$30 MILLION IN THE FIRST SIX MONTHS OF 1973 ALONE, AND BY FINANCIAL MANIPULATIONS SUCH AS DEFAULTING OR POSTPONING PRINCIPAL AND INTEREST PAYMENTS ON OUTSTANDING LOANS. BOTH THE SHORT-TERM LOANS AND THE EARNINGS FROM COPPER SALES HAVE BEEN USED TO PURCHASE ESSENTIAL IMPORTS IN THE FACE OF STEADILY DECLINING PRODUCTION RATES. HOWEVER, BY FAVORING CONSUMPTION OVER BADLY NEEDED INVESTMENT, THE

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GOVERNMENT IS TRYING TO POSTPONE DRASTIC AND UNPOPULAR ECONOMIC MEASURES UNTIL IT FIRMLY ESTABLISHES BOTH ECONOMIC AND POLITICAL CONTROL. FOLLOWING THE 29 JUNE UPRISING, THE U.P. ACCELERATED ITS EFFORT TO GAIN TOTAL CONTROL OVER THE ECONOMY BY ILLEGALLY SEIZING ADDITIONAL FACTORIES. THE GOVERNMENT, THUS FAR, HAS ALLOWED THESE FACTORIES TO REMAIN UNDER THE CONTROL OF THESE GROUPS AND APPARENTLY INTENDS TO ABSORB MOST OF THEM INTO THE PUBLIC SECTOR. AS LONG AS SHORT-TERM CREDITS AND COPPER EARNINGS ARE AVAILABLE IN SUFFICIENT QUANTITY TO COVER THE COST OF ESSENTIAL IMPORTS, THE GOVERNMENT WILL CONTINUE TO POSTPONE NEEDED DRASTIC AND UNPOPULAR ECONOMIC MEASURES, BUT THE EVER-INCREASING VOLUME OF IMPORTS AND THE RISING COSTS OF THE IMPORTS ARE PLACING A HEAVY FINANCIAL BURDEN ON THE ECONOMY.

16. ACCORDING TO GOVERNMENT SPOKESMEN, CHILE NOW IMPORTS APPROXIMATELY 40 PER CENT OF THE FOOD PRODUCTS IT CONSUMES. AGRICULTURAL PRODUCTION IS EXPECTED TO DECLINE SOME 12 TO 15 PER CENT ON THE 1972-1973 AGRICULTURAL YEAR OVER THE VERY LOW YIELDS OF THE 1971-1972 CROP YEAR. AGRICULTURAL IMPORTS ALONE ARE FORECAST AT ABOUT U.S. \$520 MILLION, WHICH IS APPROXIMATELY

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U.S. \$100 MILLION MORE THAN IN 1972. THE GOVERNMENT, WHICH IS CONTINUING ITS PROGRAM OF FARM EXPROPRIATION DESPITE THE LACK OF ADEQUATE FARM MANAGERS AND TECHNICIANS, HAS NOT BEEN SUCCESSFUL IN EXPLOITING ITS AGRICULTURAL RESOURCES, AND IT HAS LIMITED THE WILL AND INITIATIVE OF THE PRIVATE LAND OWNERS TO INCREASE THEIR YIELDS. EVENTUALLY, THE GOVERNMENT PROBABLY WILL BEGIN TO UNDERTAKE MEASURES TO CONTROL THE THRIVING AGRICULTURAL BLACK MARKET AND, AS THIS OCCURS, PRIVATE FARMERS CAN BE EXPECTED TO REDUCE THEIR AGRICULTURAL PRODUCTION AND, THEREFORE, THE 1973-1974 CROP YEAR IS LIKELY TO PRODUCE EVEN LOWER DOMESTIC YIELDS. ALTHOUGH THE GOVERNMENT HAS THUS FAR EVADED THE PREDICTED ACUTE SHORTAGES IN THE WINTER OF 1973 BY IMPORTING MORE FOOD PRODUCTS, QUEUES HAVE BECOME QUITE COMMON AT RETAIL FOOD OUTLETS AND TEMPORARY SHORTAGES OF BREAD, LIQUID GAS AND OTHER ESSENTIAL PRODUCTS HAVE PLAGUED EVERYONE. MOST OBSERVERS PREDICT MORE ACUTE AGRICULTURAL SHORTAGES EVEN THOUGH THE GOVERNMENT CONTINUES TO SPEND ITS EARNINGS AND SHORT-TERM CREDITS ON IMPORTS, AND SOME FORM OF CENTRALIZED FOOD DISTRIBUTION OR RATIONING SYSTEM MAY BE NECESSARY.

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17. IN SUMMARY, WITHIN THE LAST FEW WEEKS AND MONTHS, THE FOLLOWING SIGNIFICANT TRENDS IN THE OVERALL POLITICAL AND MILITARY SITUATION HAVE OCCURRED: A) THE COMMUNIST PARTY OF CHILE HAS ADOPTED A POSITION ADVOCATING ACCELERATED REVOLUTIONARY ACTIONS SIMILAR TO THOSE OF THE PS AND THE MIR AND IT NO LONGER IS PLAYING THE CONCILIATORY AND MODERATING ROLE OF THE PAST; B) THE ARMED FORCES HAVE BECOME INVOLVED POLITICALLY, WITH THE BULK OF THE INSTITUTION FAVORING ACTION TO CHANGE THE COURSE OF EVENTS EITHER THROUGH MEANINGFUL PARTICIPATION IN GOVERNMENT OR, IF THIS IS NOT POSSIBLE, THROUGH AN OVERTHROW OF THE REGIME; C) THE PDC, WHILE STILL DESIRING TO MAINTAIN THE DEMOCRATIC INSTITUTIONS OF THE COUNTRY, HAS ALSO BECOME LESS CONCILIATORY IN ITS POSTURE VIS-A-VIS THE U.P. AND IS MORE WILLING TO RUN THE RISKS OF CONTRIBUTING TO THE DOWNFALL OF THE PRESENT GOVERNMENT; D) PRESIDENT ALLENDE'S ROOM FOR POLITICAL MANEUVER HAS BECOME MUCH MORE CIRCUMSCRIBED; AND E) IN THE ECONOMIC AREA THE COUNTRY REMAINS IN A DOWNWARD SPIRAL BUT STILL REMAINS VIABLE OVER THE SHORT TERM. THE U.P. CONTINUES TO GIVE HIGHER PRIORITY TO OBTAINING POLITICAL CONTROL OVER THE ECONOMY THAN TO IMPROVING ITS PERFORMANCE.

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18. GIVEN THE ABOVE FACTORS, THE FOLLOWING ARE THE PRINCIPAL WAYS THE SITUATION COULD DEVELOP IN THE NEXT THREE-TO-SIX-MONTH PERIOD: A) CONTINUATION OF THE ACUTE CONFLICT BETWEEN THE U.P. AND THE DEMOCRATIC OPPOSITION WITH NO SIGNIFICANT CHANGE IN THE CORRELATION OF FORCES; B) A GRADUAL SHIFT IN THE BALANCE OF POWER TOWARD THE U.P. DURING A PERIOD OF PROTRACTED CONFLICT; C) REENTRANCE OF THE ARMED FORCES INTO THE GOVERNMENT BUT WITH SUFFICIENT POWER TO ALTER THE THRUST OF THE REVOLUTION; D) A MILITARY OVERTHROW OF THE GOVERNMENT. AT A LOWER LEVEL OF PROBABILITY ARE TWO ADDITIONAL CONCEIVABLE DEVELOPMENTS: A) A MILITARY COUP LED BY THE COMMANDER-IN-CHIEF OF THE ARMY IN COORDINATION WITH PRESIDENT ALLENDE AND B) CIVIL WAR.

19. WITH THE NAVY AND AIR FORCE, AS WELL AS A LARGE SEGMENT OF THE ARMY, PSYCHOLOGICALLY PREPARED FOR A COUP AND WITH ACTIVE PLOTTING GOING ON IN ALL THREE SERVICES LED BY OFFICERS OF FLAG RANK, A MILITARY OVERTHROW OF THE PRESENT REGIME HAS TO BE CONSIDERED AS A DISTINCT POSSIBILITY IN THE PRESENT SITUATION. THE PRINCIPAL DETERRENTS TO THIS DEVELOPMENT ARE THE LACK OF SUFFICIENT COMMAND STRENGTH BY THE ARMY PLOTTERS IN

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THE SANTIAGO AREA AND A FAIRLY BROAD PREFERENCE IN THE ARMED FORCES AS A WHOLE TO ACHIEVE THEIR OBJECTIVE THROUGH REENTERING THE GOVERNMENT IN STRENGTH RATHER THAN THROUGH A COUP. IF THE ARMY PLOTTERS ARE UNABLE TO SOLVE THEIR PROBLEM OF LEADERSHIP IN THE SANTIAGO AREA, THE ARMED FORCES AS A WHOLE COULD REDUCE THEIR DEMANDS RELATING TO THEIR REENTRANCE INTO THE GOVERNMENT RATHER THAN HAVE THINGS GO ON AS THEY ARE. GIVEN THE STRONG ANTI-GOVERNMENT ATTITUDES OF THE BULK OF THE ARMED FORCES AND THE PRESENT UNIFIED TACTICS OF THE U.P. TO PUSH FOR REVOLUTIONARY CHANGE, IT IS QUITE POSSIBLE THAT THE U.P. WOULD OPPOSE MILITARY REENTRANCE INTO THE GOVERNMENT IF THIS WOULD MEAN LOSS OF THEIR PRESENT MOMENTUM. THUS, REENTRANCE OF THE ARMED FORCES INTO THE GOVERNMENT COULD WELL BE BLOCKED BY THE U.P.

20. THE U.P. FORCES ARE ON A REVOLUTIONARY OFFENSIVE. THEIR STRATEGY APPEARS TO BE TO TAKE OVER AS MANY KEY FACTORIES AS THEY CAN AS SOON AS POSSIBLE AND TO ENLARGE THEIR CONTROL OVER THE AGRICULTURAL SECTOR. AT THE SAME TIME, THEY ARE PURSUING AN ACCELERATED CAMPAIGN TO TRAIN AND ARM THEIR PARAMILITARY CADRES. THEIR STRATEGY APPEARS TO BE TO ACQUIRE BROAD CONTROL OVER THE PRODUCTIVE CAPACITY OF THE COUNTRY WHICH, WHEN COUPLED WITH

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THEIR EXISTING POPULAR SUPPORT, GROWING PARAMILITARY STRENGTH AND THEIR CONTROL OF KEY ELEMENTS OF THE ARMY IN THE SANTIAGO AREA, WOULD GIVE THEM SUCH OVERWHELMING POWER AS TO END THE THREAT FROM THE DISAFFECTED PARTS OF THE ARMED FORCES THROUGH SHEER INTIMIDATION. THE UPRISING OF 29 JUNE DEMONSTRATED TO THE U.P. HOW ILL-PREPARED IT WAS TO MEET THE THREAT OF A COUP, AND IT IS STRIVING TO CORRECT THIS SITUATION AS SOON AS POSSIBLE. IT IS NOT KNOWN HOW MUCH TIME THE U.P. THINKS IT NEEDS TO DO SO. THUS, THE DYNAMICS OF THE PRESENT SITUATION, IF CONTINUED FOR ANY LENGTH OF TIME, CLEARLY FAVOR THE U.P. AND POSE A GRAVE THREAT TO THE LONG-TERM EXISTENCE OF THE OPPOSITION.

21. THE THREAT POSED BY THE U.P. CURRENT OFFENSIVE IS RECOGNIZED BY THE OPPOSITION. THEY REALIZE IT MUST BE STOPPED. THIS IS WHY THE GUILDS ARE AGAIN THINKING IN TERMS OF A NATIONAL STRIKE (ALMOST OUT OF DESPERATION) AND THE POLITICAL PARTIES ARE CONSIDERING IMPEACHING THE ENTIRE CABINET OR EVEN PROCEEDING AGAINST PRESIDENT ALLENDE BASED ON ARTICLE 43 OF THE CONSTITUTION. IF THE IMPEACHMENT OF THE ENTIRE CABINET IS UNDERTAKEN BY THE OPPOSITION IN RESPONSE TO THE PRESENT SITUATION OR AS A RESULT OF A STRIKE BY THE GUILDS, IT WOULD TEND TO PLACE THE PRESIDENT

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IN THE FOREFRONT AGAIN AND PROVIDE HIM WITH ANOTHER OPPORTUNITY TO COME TO TERMS WITH THE ARMED FORCES CONCERNING REENTRANCE INTO THE GOVERNMENT AND ARRANGE THEREBY A POLITICAL TRUCE. WHETHER HE WOULD BE SUCCESSFUL, HOWEVER, REMAINS QUESTIONABLE.

22. GIVEN THE HIGH DEGREE OF POLITICAL TENSION, THE POSSIBILITY OF EXTREME ACTS BY EITHER P&LOR THE MIR, AND THE RIGIDITY IN THE POSITIONS OF THE VARIOUS POWER GROUPS, IT IS NOT POSSIBLE TO ESTIMATE WITH ANY DEGREE OF CONFIDENCE AT THIS TIME WHICH OF THE FOREGOING FOUR POSSIBLE ALTERNATIVES IS THE MOST LIKELY IN THE NEXT THREE-TO-SIX MONTH PERIOD. WHILE THE HISTORY OF PAST PERIODS OF HIGH TENSION WOULD TEND TO INDICATE THAT THIS CRISIS COULD ALSO PASS WITHOUT A SIGNIFICANT SHIFT IN THE BALANCE OF POWER BETWEEN THE TWO OPPOSING FORCES IN CHILE, WE ARE NOT AS CONFIDENT OF THIS OUTCOME AS WE HAVE BEEN IN THE PAST, UNLESS THE ARMED FORCES VIGOROUSLY PURSUE THE IMPLEMENTATION OF THE ARMS CONTROL LAW AND THE NATIONAL POLICE ARE GIVEN AUTHORITY TO END ILLEGAL TAKEOVERS OF FACTORIES AND FARMS.

23. THE HIGH DEGREE OF UNCERTAINTY IN THE PRESENT SITUATION AND THE STRONG POLITICAL CROSS-CURRENTS LEAD ONE TO CONSIDER SOME LESS LIKELY POSSIBILITIES OTHER THAN THE MORE

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OBVIOUS ONES GIVEN ABOVE. GIVEN PRESIDENT ALLENDE'S STRONG DESIRE TO REMAIN IN POWER, HIS PREDISPOSITION TO LEAD RATHER THAN TO BE LED, CONSIDERING THE AMBITIONS OF GENERAL CARLOS PRATS, THE COMMANDER-IN-CHIEF OF THE ARMY, AS WELL AS THE RELATIONSHIP BETWEEN THEM,

IT IS CONCEIVABLE THAT ALLENDE AND PRATS WITH THE SUPPORT OF THE ARMED FORCES COULD ATTEMPT TO SET UP A GOVERNMENT OF NATIONAL RECONCILIATION. ITS POLITICAL BASE WOULD BE THE PDC AND THE MODERATE SECTORS OF THE U.P. IN ADDITION, THE IDEA THAT THE CONFLICT BETWEEN THE U.P. AND THE OPPOSITION COULD LEAD TO A CIVIL WAR MAY NOT BE AS FAR-FETCHED AS IT ONCE WAS. THE CONSTANTLY RISING DEGREE OF HOSTILITY BETWEEN THE TWO GROUPS, THE ARMING OF CIVILIANS OF BOTH SIDES (THE U.P. IS PROBABLY DOING A BETTER JOB OF THIS), THE DIVISION WITHIN THE ARMED FORCES, THE REALIZATION BY A LARGE SECTOR OF THE OPPOSITION THAT THE POSSIBILITY OF A POLITICAL OR MILITARY SOLUTION IS INCREASINGLY REMOTE, AND THE RIGIDITY OF THE POSITIONS OF THE OPPOSING GROUPS, TEND TO GIVE WEIGHT TO THIS IDEA. STILL, AT THE PRESENT TIME, THESE TWO CONCEIVABLE DEVELOPMENTS SEEM TO BE FAIRLY

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